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1989/08/16



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AN: D890705-0733

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DEPARTMENT OF STATE

( ) RELEASE  
☒ DECLASSIFY  
DATE: 10/27/96

IS/FPC/COR Date: 11/21/96

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CP 11 1P 16

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AS ESCALATING POLITICAL REPRISALS FOR MAY'S POLITICAL DEMONSTRATIONS. TO AN EXTRAORDINARY DEGREE, SEVERAL SHANGHAI OFFICIALS CHOSE NOT TO DEBATE THE ISSUE, ONE EXPRESSED "REGRET" FOR TIANAMEN. ALL STRESSED THE IMPORTANCE OF CONTINUED GOOD TIES WITH THE U.S. LI JIAHAO, MUNICIPAL PEOPLE'S CONGRESS VICE CHAIRMAN, ARGUED THAT THE FAST GROWTH POLICY PUSHED BY ZHAO ZIYANG AND HU YAOBANG HAD LED TO ECONOMIC DISLOCATIONS, CORRUPTION, AND DISCONTENT. VICE MAYOR LIU ZHENYUAN AVOIDED POLITICS ALTOGETHER, FOCUSSED INSTEAD ON HIGH-TECH INDUSTRY AND OTHER ECONOMIC TOPICS. WE JUDGE THE SENATOR'S PRESENTATION MADE A STRONG IMPRESSION ON HIS SHANGHAI HOSTS, WHO CLEARLY FOUND IT BITTER MEDICINE TO SWALLOW. END SUMMARY.

3. SENATOR WARREN RUDMEN MET WITH SHANGHAI VICE MAYOR LIU SHENYUAN, MUNICIPAL PEOPLE'S CONGRESS VICE CHAIRMAN AND BUDGET EXPERT LI JIAHAO, AND CHAIRMAN OF SHANGHAI'S CHINESE INSTITUTE OF FOREIGN RELATIONS SHI QI DURING HIS AUGUST 13-15 VISIT TO SHANGHAI. HE ALSO ATTENDED A CONSULATE BRIEFING, SPOKE TO THE AMERICAN CHAMBER OF COMMERCE AND HELD A WORKING LUNCH WITH AMERICAN STUDIES EXPERTS FROM SHANGHAI INSTITUTES (SEPTTEL).

4. SENATOR RUDMAN'S OFFICIAL MEETING WERE CORDIAL, BUT THE DISCUSSION OF THE ACTIONS OF BOTH THE CHINESE GOVERNMENT AND THE AMERICAN CONGRESS WERE OFTEN FRANK. THE  
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SENATOR EXPLAINED THE BACKGROUND OF RECENT CONGRESSIONAL ACTIONS IN REGARD TO CHINA AND MADE VERY CLEAR HIS JUDGEMENT THAT STRINGENT ECONOMIC SANCTIONS WOULD BE VIRTUALLY INEVITABLE SHOULD THE CHINESE GOVERNMENT FURTHER REPRESS CHINESE STUDENTS. HE EDUCATED HIS INTERLOCUTORS ON AMERICAN VALUES, ON THE LINK BETWEEN THOSE VALUES AND THE POPULAR AMERICAN REACTION TO TIANAMEN AND SUBSEQUENT EVENTS, AND ON THE CLOSE

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RELATIONSHIP BETWEEN THIS REACTION AND  
THE PROBABLE CONGRESSIONAL RESPONSE IN THE  
AREA OF FOREIGN POLICY.

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ACTION H-03

INFO LOG-00 ADS-00 SS-00 SSU-00 EAP-00 DS-01 /00  
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O 160657Z AUG 89  
FM AMCONSUL HONG KONG  
TO SECSTATE WASHDC IMMEDIATE 0368  
INFO AMCONSUL SHANGHAI

C O N F I D E N T I A L SECTION 02 OF 02 HONG KONG 11955  
STATE-H PLEASE PASS SENATOR RUDMAN'S OFFICE

C O N F I D E N T I A L SECTION 02 OF 02 SHANGHAI 06586




7. PRODDER BY THE SENATOR IN REGARD TO FUTURE  
TREATMENT OF STUDENTS AND OTHERS INVOLVED IN THE  
DEMONSTRATION.



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8. VICE MAYOR LIU ZHENYUAN, A MICRO-ELECTRONICS EXPERT TURNED MUNICIPAL OFFICIAL, LISTENED INTENTLY TO THE SENATOR'S ARGUMENTS, BUT QUICKLY DIVERTED THE DISCUSSION INTO A LIVELY, FREE-WHEELING EXCHANGE ON THE RELATIVE MERITS OF CAPITALISM VERSUS CENTRAL PLANNING. AFTER AN ENTHUSIASTIC RECITATION OF HIS CONTACTS WITH AMERICAN HIGH-TECH EXPERTS, LIU TOLD A STORY EXPRESSING HIS CONTEMPT FOR SOVIET-STYLE ECONOMICS. LIU, WHO STUDIED IN THE SOVIET UNION FROM 1956 TO 1960, BUT WHO HAS NEVER "FOUND THE TIME" TO PROPERLY REVISIT THE SOVIET UNION, RECALLED RECEIVING A CHEAP, POORLY-MADE PLASTIC MOMENTO OF A VISIT TO A SOVIET RESEARCH INSTITUTE ALMOST THIRTY YEARS AGO. HE SAID HE RECENTLY RECEIVED A MOMENTO FROM THE SAME INSTITUTE AND WAS SHOCKED TO FIND IT WAS A REMARKABLY SIMILAR PIECE OF JUNK. LIU SAID HE DISPLAYS THE TWO ITEMS SIDE BY SIDE AS TESTIMONY TO THE SOVIETS' FAILURE TO IMPROVE LIGHT INDUSTRY OVER THE PAST DECADES.

9. SHI QI, IN HIS INFORMAL DISCUSSIONS OVER THE COURSE OF THE AFTERNOON WITH THE SENATOR,




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10. PLEASE PASS TO SENATOR RUDMAN FOR CLEARANCE.  
WARDLAW UNQUOTE ANDERSON